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April 11, 2000

The Honorable Stanley Russ  
Senate Insurance & Commerce Committee  
State Capitol Building, Room 312  
Little Rock, AR 72201

The Honorable Terry Smith  
House Insurance & Commerce Committee  
State Capitol Building, Room 350  
Little Rock, AR 72201

Dear Senator Russ and Representative Smith:

RE: Quarterly Report, Section 23-19-108 of the Electric Consumer Choice Act of 1999

Section 23-19-108 of the Electric Consumer Choice Act, Act 1556 of 1999 requires that Arkansas utilities that are parties to FERC-jurisdictional cost allocation agreements report that fact to the Public Service Commission. That section further requires that each such utility consult with the Commission and its staff regarding what changes to the agreement, if any, would be appropriate in a restructured, competitive electric utility industry. Section 23-19-108 also requires that the Commission make quarterly reports to the House and Senate Interim Committees on Insurance and Commerce on the status of its discussions with that utility. The following is the report for the first quarter of 2000.

There are two utilities that are subject to the requirements of this section: (1) SWEPCO, which is a subsidiary of Central and South West Corp ("CSW"); and (2) Entergy Arkansas, Inc. (EAI), which is a subsidiary of Entergy Corp.

There was no activity with respect to the CSW Operating Agreement in the first quarter of 2000. It is currently anticipated that further action may be taken following the completion of CSW's merger with American Electric Power, but no specific changes have been identified.

There were several discussions with Entergy as to the potential effect on Arkansas ratepayers of certain possible changes to the Entergy System Agreement, but no specific changes have been recommended to date. There is general agreement among Entergy and its regulators that revisions will be necessary, but there is no agreement as to what specific revisions would be most appropriate.

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The Commission anticipates that FERC litigation on these issues will be initiated this quarter or the next.

Please feel free to contact me if you have any questions about this matter.

Sincerely,

Jim von Gremp  
Chairman

Sam I. Bratton, Jr.  
Commissioner

Betty C. Dickey  
Commissioner

JvG/SIB/BCD/jr